

## **CDBG Public Service Grants**

### **Facts in Brief**

- ❖ This year, the City of Gaithersburg expects to have approximately \$82,350 available for CDBG public service grants. In FY 2004, the same amount was available and public service grant awards ranged from \$4,600 to \$20,000.
- ❖ Any organization interested in applying for funding should review this Fact Sheet, the Application Instructions, and the Application and **call Louise Kauffmann or Nancy Walsh at 301-258-6310 before completing the application.**
- ❖ To request application materials, call 301-258-6310.
- ❖ Application materials are also available online on the Economic and Community Development page of the City's Web site at [www.ci.gaithersburg.md.us](http://www.ci.gaithersburg.md.us)
- ❖ Organizations may submit only one application for funding.
- ❖ The application deadline is **February 20, 2004 at 4:00 p.m.**
- ❖ Applicants must submit an original and two (2) copies of their application to:

Louise Kauffmann, Grants Administrator  
City of Gaithersburg  
31 South Summit Avenue  
Gaithersburg, MD 20877-2098
- ❖ Only complete applications received by the deadline will be considered.
- ❖ Funds awarded will not be available until after July 1, 2004 and likely not before September 1, 2004.
- ❖ If you have additional questions or need assistance, please call Louise Kauffmann or Nancy Walsh at 301-258-6310.

## **CDBG PUBLIC SERVICE GRANT FACT SHEET AND FUNDING POLICY**

### **A. Introduction**

The City of Gaithersburg receives Community Development Block Grant (CDBG) funds annually from the U.S. Department of Housing and Urban Development (HUD) to provide programs and facilities that benefit primarily low- and moderate-income (LMI) City residents. The City received its first annual allocation as a direct recipient of CDBG funding in FY04, for the program year July 1, 2003, to June 30, 2004.

The City of Gaithersburg uses a competitive application process to make a portion of its CDBG funds available to nonprofit groups through public service grants. Eligible public service activities include, but are not limited to, programs related to housing, education, crime prevention, child care, health care, senior services, counseling, drug abuse prevention, mental health, welfare, and recreation.

The City anticipates significant competition for the public service funds to be available through CDBG this year, and current grantees will receive priority in the application process. Applications, however, will also be accepted from prospective new grantees, and, in accordance with regulations recently issued by HUD, faith-based organizations are now eligible for CDBG funding on an equal footing with any other organization. All applications will be assessed on their merits, without regard to an applicant's religious or secular character.

### **B. Background on CDBG**

#### **Basic Requirements**

The CDBG program provides the City of Gaithersburg with the opportunity to develop viable communities by funding activities that provide decent housing and a suitable living environment and by expanding economic opportunities, principally for low- and moderate-income persons. Funds may be used to carry out a range of community development activities such as neighborhood revitalization, economic development, and provision of improved community facilities and services.

Under CDBG regulations, the City may allocate up to 15 percent of its total CDBG award to nonprofit organizations for public service activities. Last year the City received \$549,000 in CDBG funds and allocated the full 15 percent of the award (\$82,350) to nonprofits for public service grants. The amount of funding for fiscal year 2005 has not yet been determined but is expected to be approximately the same.

#### **National Objectives**

According to Federal legislation and regulations, all CDBG-funded activities must meet specific national objectives. Public service projects are required to meet one of the

program's two broad national objectives: to benefit persons of low to moderate income (LMI) or to aid in the prevention of slums and blight. Each objective is described below.

Low- to Moderate-Income Benefit. Public service activities generally meet this national objective. To satisfy the objective, an activity must either include income eligibility requirements limiting the activity's benefits to LMI persons or be located in an area inhabited by predominantly LMI residents. Under CDBG Regulations, programs that serve special needs populations, including the elderly or disabled, are usually considered to benefit LMI persons. HUD income limits, which vary based on family size, define "low" and "moderate" income for purposes of the CDBG program (see table below).<sup>1</sup>

HUD INCOME LIMITS* (Effective February 20, 2003)		
Family Size	Low	Moderate
1	\$30,450	\$39,550
2	\$34,800	\$45,200
3	\$39,150	\$50,850
4	\$43,500	\$56,500
5	\$47,000	\$61,000
6	\$50,450	\$65,550
7	\$53,950	\$70,050
8	\$57,400	\$74,600

\* All income figures have been rounded to the nearest \$50.

Under this objective, a public service activity must serve at least 51 percent LMI persons.

Elimination of Slums and Blight. To meet this second national objective, an activity must be designed to address and ameliorate conditions causing slums and blight. The City determines which areas qualify under this objective.

**Additional Requirement:** A CDBG-funded public service activity must provide a new or an expanded level of public service above that which has been provided by or on behalf of the unit of general local government in the 12 calendar months before submission of the City's Action Plan.

### **Ineligible Activities**

The following types of activities are generally ineligible for CDBG funding:

- Construction of, or improvements to, general government buildings and schools.

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<sup>1</sup> For example, under HUD Income Limits effective February 20, 2003, a resident living alone is low income if his or her income is \$30,450 or lower and moderate income at \$39,550 or below; for a family of two, the thresholds for low and moderate income are \$34,800 and \$45,200, respectively.

- Routine operation, maintenance, and repair activities for public facilities.

### **C. City Policies and Priorities for Public Service Grants**

The City expects requests for public service grants through the CDBG program to exceed the level of available funding. To guide its use of CDBG funds, the City has established policies and priorities based on federal requirements as well as local needs and funding priorities for use in evaluating applications for CDBG funds.

#### **Policies**

- Organizations interested in applying for funding are asked to review the application materials and contact the City before completing an application.
- An organization may submit only one application for funding each fiscal year.
- The City will not award CDBG funds to an organization for the same project for more than three years.
- Grantees who receive funds in year one are not guaranteed funding in years two and three.
- Grantees may only lease, not purchase, capital equipment with CDBG funds.
- The acquisition of land or the construction, acquisition, and/or rehabilitation of buildings is not eligible for a public service grant under CDBG. If you are considering projects that fall in this category, please contact City staff because such projects may be eligible as a capital project under CDBG.
- All applications will be assessed on their merits, without regard to an applicant's religious or secular character.

#### **Priorities**

The City will give priority to projects that:

- Provide new or expanded services that respond to critical, identifiable, and unmet needs.
- Emphasize long-term, innovative solutions that hold the promise of serving as a catalyst for change.
- Benefit low- and moderate-income City residents.
- Enable and empower those served by the project to reach their highest level of self-sufficiency.
- Help people with special needs improve access to and use of existing services.
- Include a clear plan of action that is consistent with the budget and that demonstrates the applicant's capability to implement the proposed plan.
- Require a one-time-only infusion of funds and include detailed plans for permanent funding.
- Maximize the use of outside (i.e., non-CDBG or other City money) funds and services and that are coordinated with other public and private efforts.
- Have clear goals and specific, measurable, and realistic evaluation criteria.
- Demonstrate the capacity of the applicant, and its capability to carry out the project successfully through non-City funding sources.
- Support or are coordinated with other community development efforts.

- Include a reasonable, sound budget.
- Are implemented by organizations with a solid performance record.

In addition, the City is committed to funding only those projects that are ready to proceed immediately after funds are received, and those prepared to spend the funds within a 12-month period. Any funds not spent within this timeframe may be recaptured by the City; however, if necessary and for good cause, an extension of 6 months may be granted.

#### **D. Application Process**

The City accepts applications for public service grants on an annual, cyclical basis. The deadline date for submission of applications is February 20, 2004. Projects submitted after the deadline will not be considered for review unless the application seeks funding that is of an emergency nature or represents a unique, one-time opportunity that cannot wait for the next application round. Any such out-of-cycle requests will be reviewed at the discretion of the City's City Manager and only if funding is available.

To be considered for funding, a project must meet one of the two national objectives of the CDBG program described above. All applications are reviewed by City staff to determine eligibility under HUD's criteria and conformance with the City's CDBG funding policies and priorities.

Pending HUD final approval, the Mayor and City Council will select public service activities and projects to receive CDBG funds on Monday, May 3, 2004. For FY 2005, which runs from July 1, 2004 to June 30, 2005, CDBG funds will likely be available around September 1, 2004.

#### **E. Contractual Requirements**

Each organization selected to receive a public service grant must enter a contract with the City of Gaithersburg. The City will prepare the contract and send it to the person identified by the applicant as the official authorized to sign the contract. The contract will specify the amount of the award, the period for which the project is approved, the contract term, the scope of services to be provided, and any special conditions. It will also include administrative provisions and specify reporting and documentation requirements. The City will provide forms for regular reports grantees are required to complete.

Under City policy and Federal laws and regulations, the following requirements must be satisfied for the City to negotiate the agreement and disburse funds:

1. Applicants must be private nonprofit organizations or faith-based organizations.
2. Grantees are required to obtain adequate insurance covering workman's compensation, bodily injury, property damage, and/or automobile liability, depending on the nature of the project. Grantees are also responsible for

obtaining any necessary licenses and complying with applicable federal, state, and municipal laws, codes, and regulations. Grantees may include the costs of insurance, additional premiums, and licenses for the activity in the proposed budget.

3. Grantees are required to comply with applicable affirmative action and equal opportunity laws. In the event of noncompliance, the agreement may be canceled, terminated, or suspended, in whole or in part.
4. Grantees are required to comply with applicable uniform administrative requirements, as described in 24 C.F.R. §570.502. These include: OMB Circular A-133, which requires that audits be conducted annually; OMB Circular A-122, which establishes principles for determining allowable costs under grants, contracts, and other agreements; and certain uniform administrative requirements of OMB Circular A-110 specified in 24 C.F.R. §570.502(b), which set forth requirements for financial management systems, property standards, procurement standards, reporting, and recordkeeping. The cost of an audit is an eligible grant cost.

**F. Other Important Considerations for Applicants**

- Eligibility. With the demand for CDBG-funded public service grants likely to exceed the amount of funding available, not all eligible projects will be funded. Therefore, before preparing an application, organizations should contact City staff to confirm that the project being proposed is eligible for CDBG funding.
- Readiness To Proceed. The City is committed to funding only those projects that are ready to proceed immediately once funding becomes available and the contract has been signed. In addition, HUD imposes time limits for spending Federal funds. Grantees must be prepared to spend their funds in a 12-month period. If funds are not spent within this time period, unspent funds may be recaptured and awarded to other projects. However, if necessary and for good cause, an extension of 6 months may be granted.
- Ongoing Funding. CDBG funds are not intended to be an ongoing source of funding for an organization. Under the CDBG public service grant program, an organization may receive funding for the same program/activity for only up to three years. However, there is no guarantee that approved projects will receive funding in years two and three. In addition, organizations that do receive second- and third-year funds often receive a reduced level of funding.
- Contingency Funding. Even if an application is successful, the City may recommend a lower level of funding than requested. Organizations, therefore, should develop a contingency plan to account for a lower-than-requested CDBG award.

## **CDBG PUBLIC SERVICE GRANT APPLICATION INSTRUCTIONS**

### **WHO IS ELIGIBLE TO APPLY?**

Nonprofit organizations are eligible to apply for public service grants through the U.S. Department of Housing and Urban Development's (HUD's) Community Development Block Grant (CDBG) program. Organizations that are religious or faith-based are eligible, on the same basis as other organizations, to participate in the CDBG program, without regard to their religious character or affiliation. For-profit entities are not eligible to receive public service grants.

### **HOW MUCH PUBLIC SERVICE FUNDING IS AVAILABLE?**

Under HUD regulations, the City may allocate up to 15 percent of its total CDBG award to nonprofit organizations for public service activities. Last year the City received \$549,000 in CDBG funds and allocated the full 15 percent of the award (\$82,350) to nonprofits for public service grants; awards ranged from \$4,600 to \$20,000. The amount of funding for the upcoming year has not yet been determined but is expected to be approximately the same.

### **WHAT ARE THE SUBMISSION REQUIREMENTS?**

1. Submit the application in **hard copy**, rather than by email or on a disk. To request an application, call 301-258-6310. Application materials are also available on the Economic and Community Development web page at [www.ci.gaithersburg.md.us](http://www.ci.gaithersburg.md.us).
2. Provide all information requested in the space provided using a font of 11 points or larger. Do not vary your submission from the sequence or format presented in the application.
3. Make sure your application is complete and includes all required forms, including the budget form. Only complete applications received by **February 20, 2004** will be reviewed and considered for funding. Use the checklists included in this packet to ensure the completeness of your application.

### **TO WHOM DO I SUBMIT MY APPLICATION?**

Submit **one original** and **two copies** of the application to:

Louise M. Kauffmann, Grants Administrator  
City of Gaithersburg  
31 South Summit Avenue  
Gaithersburg, MD 20877-2098

Applications must be received by **4:00 p.m., February 20, 2004.**

### **WHEN WILL I BE NOTIFIED OF FUNDING?**

If approved for funding, you will be notified by May 15, 2004 and funds will be available after July 1, 2004.

NOTE: No funds will be disbursed until a contract with the City has been finalized and executed.

### **MAJOR MILESTONES**

- January 29, 2004: Public hearing held at community location to provide information on anticipated amount of CDBG funds for FY05 and range of eligible activities. Residents and interested organizations may provide input on community needs, ways to address the needs of low- and moderate-income City residents, and use of CDBG funds in FY05.
- February 20, 2004: Application deadline for public service grants.
- March 1, 2004: Public hearing held before the Mayor and City Council. Interested applicants may present proposals for CDBG-funded public service projects.
- March 15, 2004: City staff present recommendations for specific public service projects for approval by the Mayor and City Council.
- May 3, 2004. Following 30-day notice and comment period, City staff present final Action Plan to Mayor and City Council for approval.
- May 15, 2004. Approved Action Plan submitted to HUD.
- June 2004. Applicants are notified of final funding decisions (pending HUD approval).
- July 1, 2004. CDBG program year begins.

### **INCOME LIMITS**

Any CDBG-funded public service activity must serve at least 51 percent low- and moderate-income (LMI) persons. The most recent income levels for these two categories are shown on *page 2*.

### **WHAT IF I HAVE QUESTIONS?**

City staff members are available to answer questions and provide technical assistance. You may contact us by calling 301- 258-6310.

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